

Financial Literacy: Simple Interest Stories

Name: _____ Date: _____

Simple Interest Formula:

$$SI = P \times R \times T$$

* P = Principal (starting amount)

* R = Rate (as a decimal)

* T = Time (in years)

Part A: Find the Simple Interest

1. The Lemonade Stand Loan 🍋

Maya borrows \$200 from her parents to start a lemonade stand. They agree on a 5% annual interest rate for 2 years.

👉 How much interest will Maya pay back?

2. Saving for a Bike 🚲

Lucas deposits \$350 into a savings account that earns 4% interest per year for 3 years.

👉 How much interest will he earn?

3. The Video Game Fund 🎮

Ava invests \$120 in a simple interest account at a rate of 6% per year for 5 years.

👉 How much interest will she earn?

4. Borrowing for a School Trip 🚌

Ethan borrows \$500 to help pay for a school trip. The loan has an interest rate of 3% per year for 4 years.

👉 How much interest will he pay?

Part B: A Little Trickier... Think Carefully

5. The Skateboard Upgrade 🛹

Chloe invests \$400 at 5% interest for 2.5 years.

👉 How much interest will she earn?

6. The Loan Decision 😬

Emma borrows \$1,000 at a 5% interest rate for 2 years.

👉 How much interest will she pay?

👉 What is the total amount she must repay?

7. The Better Investment Choice 💰

Olivia is trying to decide between two savings options:

* Option A: Invest \$500 at 4% interest per year for 4 years

* Option B: Invest \$500 at 5% interest per year for 3 years

👉 Calculate the simple interest earned for each option.

👉 Which option will earn Olivia more money?

👉 Explain how the rate and time affected your decision.